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Dear Valued Rental Rate Blue Book Subscriber:

Instability in the price of diesel fuel and gasoline has prompted many inquiries on how to adjust Rental Rate Blue Book operating rates to reflect the higher fuel costs.

EquipmentWatch wants to continually support you and provide the most up-to-date information, so we are giving you two options to adjust for rising fuel prices.

Option 1: Use the Custom Cost Evaluator or Cost Reference Guide to get the most accurate adjustments for your specific equipment models and fuel costs.

The Custom Cost Evaluator Online will allow you to automatically adjust fuel costs and over 20 ownership and operating costs to reflect your specific equipment and operating characteristics. The Cost Reference Guide offers you the option to manually adjust fuel and other O&O costs for your equipment.

We have significantly reduced prices on both of these products for Blue Book Subscribers. To learn more about the Custom Cost Evaluator Online or the Cost Reference Guide, just call our Sales Team at 1-800-669-3282.

Option 2: Use the tables, included with this letter, to manually estimate fuel adjustments for your specific equipment.

The included tables are organized by Blue Book section and Equipment type. Listed for each equipment type is the:

- Average percentage of the published operating rate generated by the cost of fuel.
- Minimum and maximum percentages to identify the range that fuel costs can impact the operating rate.
- Fuel price used to calculate the published Blue Book operating rate.

To use the tables, just follow the example on the back of this page.

We hope this information is helpful. If you would like additional assistance, please call our Research Team at 1-800-669-3282.

Sincerely,
Don Hopkins
Director of Research

Example:

Equipment: Deere 670C II Articulated Motor Grader

Blue Book Rate:

Monthly	Weekly	Daily	Hourly	Estimated operating cost/hr
\$4,825	\$1,350	\$340	\$51.00	\$22.80

Based on the information in the attached table, fuel makes up an average of 43% of the operating cost and the original diesel cost in the Rental Rate Blue Book was \$1.98/gallon.

Section	Equipment type	Average	Maximum	Minimum	Diesel	Gas
9	Articulated Frame Graders	43%	53.7%	31.7%	\$ 1.98	\$1.79

If you want to adjust the cost of diesel fuel to \$2.75/gallon, you would make the following adjustments:

1. Adjustment Factor = ((Current fuel cost/Original fuel cost) - 1) x average fuel percentage
2. Adjusted Operating cost = Operating Cost x (1 + Adjustment Factor)

In this example:

1. Adjustment Factor = $(\$2.75/\$1.98) - 1) \times (0.43) = 0.167$
2. Adjusted Operating cost = $\$22.80 \times (1 + 0.167) = \26.61 per hour

PLEASE NOTE: Average fuel percentages are an average over all models and sizes in an entire equipment type. The percentage for a particular piece of equipment may lie anywhere within the range.

2/6/06 Current fuel cost (National) Gas = 2.342 Dies = 2.499

Adjustment (Gas) = $(2.342/1.781) - 1 \times 0.354 = 0.1115$

Adjustment (Diesel) = $(2.499/1.842) - 1 \times 0.354 = 0.1263$

$0.2378 / 2 = 0.1189$